

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE PETITION OF)
DELMARVA POWER & LIGHT COMPANY FOR)
REVIEW AND APPROVAL OF ITS PROPOSAL) PSC DOCKET NO. 19-0110
TO CONSTRUCT A SATELLITE NATURAL GAS)
STORAGE FACILITY)
(FILED FEBRUARY 22, 2019))

ORDER NO. 9362

AND NOW, this 2nd day of April 2019, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, on February 22, 2019, Delmarva Power & Light Company ("Delmarva" or the "Company") filed the above-captioned petition ("Petition") with the Commission seeking review and approval of its proposal to construct a satellite natural gas storage facility; and

WHEREAS, in its Petition, Delmarva seeks authority to construct and operate a satellite liquefied natural gas storage facility (the "Proposed Facility") in the southern region of its natural gas service territory; and

WHEREAS, the Petition states that Delmarva provides regulated natural gas distribution service customers within its service territory, which is limited to approximately the northern two-thirds of New Castle County; in general terms, distribution charges comprise the costs associated with operating, maintaining, and adding to Delmarva's distribution system within its natural gas service territory; and

WHEREAS, the Petition further states that in addition to its natural gas distribution service, Delmarva itself supplies the natural gas to the majority of its gas delivery customers; Delmarva identifies "Supply" charges as comprising (a) the cost of natural gas and (b) the costs the

Company incurs in having the regulated natural gas delivered to its distribution system; and

WHEREAS, Delmarva identifies two elements of Supply which are of primary relevance - "Peak Supply" and "Pressure Support"; and

WHEREAS, Delmarva states that several of its existing interstate pipeline contracts that provide Pressure Support have varying expiration and renewal dates through years 2020-2024; moreover, Delmarva believes that simply renewing the interstate pipelines will not meet its need to find additional sources of Peak Supply and Pressure Support for the growing future needs of its gas customers; and

WHEREAS, Delmarva asserts that, following a thorough review of potential options, it concluded that construction of the Proposed Facility would provide a lower cost and more reliable means of providing Peak Supply and Pressure Support for Delmarva's natural gas customers; and

WHEREAS, Delmarva estimates the cost of construction, operation, and maintenance of the Proposed Facility ("Proposed Facility Costs") to be \$275 million over a 30-year period, for which Delmarva requests approval to treat the Proposed Facility Costs one of two alternatives: (1) a mechanism whereby the annual revenue requirement for the Proposed Facility would be temporarily included in costs for recovery through its Gas Cost Rate ("GCR") - the rate customers pay for Supply - until such time as Delmarva files its first base rate case after the Proposed Facility is closed to Plant in Service, at which time it would seek to recover the remaining costs associated with the Proposed Facility in distribution rates and end recovery of such costs through the GCR; or (2) approval of a regulatory asset to defer recognition of incremental depreciation of and O&M expenses associated with the Proposed Facility

incurred between rate cases, and accrue a return at the authorized rate on the Net Plant in Service until such time as this Commission can consider actual recovery in a base rate or other appropriate proceeding;

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Delmarva shall not enter into construction contracts or order plant components related to the Petition until such time as a final Order in this proceeding is issued.

2. As outlined in the form of Public Notice, interested persons or entities are afforded the opportunity to file comments or objections to the Petition. Such comments or objections must be filed **on or before April 30, 2019**. In addition, the Commission will accept public comments on the Petition immediately prior to the commencement of the evidentiary hearing.

3. That Glenn Kenton is designated as the Hearing Examiner for this matter pursuant to the terms of 26 Del. C. § 502 and 29 Del. C. ch. 101 to schedule and conduct, upon due notice, such public comment sessions and evidentiary hearings, as may be necessary, to have a full and complete record concerning the justness and reasonableness of the Petition. Thereafter, Hearing Examiner Kenton shall file with the Commission his proposed findings and recommendations. Pursuant to Rule 2.1 of the Commission's Rules of Practice and Procedure, Hearing Examiner Kenton is specifically delegated the authority to grant or deny petitions seeking leave to intervene and for admission of counsel *pro hac vice*. In addition, Hearing Examiner Kenton is delegated the authority, under 26 Del. C. § 102(A), to determine the form and manner of any further public notice in this matter.

4. Delmarva shall publish the public notice in the form attached hereto as **Exhibit "A"** in two-column format, outlined in black, in the legal classified section of The News Journal as early as possible during the week of April 8, 2019. Proof of such publication is to be provided to the Commission as soon as practical but not later than the commencement of the evidentiary hearing concerning this matter.

5. The deadline for intervention pursuant to 26 *Del. Admin C.* § 1001-2.9 shall be **April 30, 2019**. Petitions for intervention that are not received by the Commission **April 30, 2019**, will not be granted unless good cause is shown.

6. If the Commission does not receive any petitions to intervene, material objections, or written comments raising significant issues, the Commission may, by later order, rescind the designation of Glenn Kenton as the Hearing Examiner for this proceeding, and consider the matter after a duly noticed evidentiary hearing at a regularly-scheduled Commission meeting.

7. Delmarva is hereby put on notice that it will be charged the costs incurred by Commission Staff and the Division of the Public Advocate in connection with this proceeding per 26 *Del. C.* § 114(b)(1).

8. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chairman

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary

E X H I B I T "A"

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P U B L I C N O T I C E

**TO: ALL NATURAL GAS CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY AND
OTHER INTERESTED PERSONS**

On February 22, 2019, Delmarva Power & Light ("Delmarva") filed a Petition with the Delaware Public Service Commission to build a new satellite natural gas storage facility in New Castle County, Delaware (PSC Docket No. 19-0110). The Commission will render a decision after holding public evidentiary hearings, which will be conducted upon due public notice, and will render its decision based on the record evidence.

If the Commission does not receive any petitions to intervene, material objections, or written comments raising significant issues, the Commission may, by later order, rescind the designation of Glenn Kenton as the Hearing Examiner for this proceeding, and consider the matter after a duly noticed evidentiary hearing at a regularly-scheduled Commission meeting.

You are invited to review Delmarva's Petition and supporting documents to determine how your interests may be affected by going to DelaFile (<https://delafile.delaware.gov>), the Commission's file management system, and searching for Docket No. 19-0110.

Interested persons or entities are afforded the opportunity to file comments or objections to the proposed construction. Such comments or objections shall be filed **on or before April 30, 2019** using DelaFile.

If you wish to formally participate as a party in this matter, with the right to present evidence and be represented by counsel, you must file with the Commission a petition for leave to intervene in accordance with the requirements of the Commission's Rules of Practice and Procedure (26 Del. Admin. C. § 1001-2.9) **on or before April 30, 2019**. All such petitions should be also be filed in DelaFile according to the Commission's Rules (26 Del. Admin. C. § 1001-1.6.4). Petitions for intervention that are not received by the Commission **on or before April 30, 2019**, will not be granted unless good cause is shown.

If you would like to review documents at the Commission's offices, please contact Donna Nickerson at (302) 736-7500 or by sending an email addressed to donna.nickerson@delaware.gov. You may also review copies of Delmarva's Petition and supporting documents at the office of the Division of the Public Advocate located at either 820 North French Street, 4th Floor, Wilmington, Delaware 19801, or 29 South State Street, Dover, Delaware 19901. Please call either (302) 577-5077 or (302) 241-2555 to arrange for a time to review the documents at either of those locations.

If you wish to request copies of documents in this matter, please submit a Freedom of Information Act Request Form. The link to this form can be found on the Commission's website, <https://depssc.delaware.gov>, or by visiting this web address https://delaware.gov/help/foia_request.shtml?subj=DOS. The Commission

will respond to your request in accordance with the Delaware Freedom of Information Act, 29 Del. C. ch. 100.

If you have a disability and wish to participate or to review the materials in this matter, please contact the Commission to discuss any auxiliary aids or services you might need to help you. You may contact the Commission in person, by writing, by telephone (including text telephone), by Internet e-mail, or other means.

If you have questions about this matter, you may call the Commission at 1-800-282-8574 (toll-free in Delaware) or (302) 736-7500 (voice and text telephone). You may also send questions regarding this matter by Internet e-mail addressed to malika.davis@delaware.gov using "PSC Docket No. 19-0110" as the subject.